

Vadilal

Date: 4th December, 2018

To,
The National Stock Exchange of India Ltd.
Exchange Plaza,
Plot no. C/1, G Block,
Bandra-Kurla Complex
Bandra (E), Mumbai - 400 051.

To
Department of Corporate Services,
Bombay Stock Exchange Limited,
1st Floor, Rotunda Building,
Dalal Street, Fort,
Mumbai - 400 001.

Scrip Code No. VADILALIND-EQ

Scrip Code : 519156

Dear Sir,

SUB: EARNING PRESENTATION OF THE COMPANY FOR THE SECOND QUARTER OF THE YEAR 2018-19

With reference to the captioned subject, please find enclosed herewith Earning Presentation of the Company for the Second Quarter of the year i.e. 01-06-2018 to 30-09-2018

Kindly take the same on your record.

Thanking you,

Yours faithfully,
For **VADILAL INDUSTRIES LIMITED**



Nikita Udhan
Compliance Officer

Encl : As above

VADILAL INDUSTRIES LIMITED

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Ahmedabad-380015. Ph. No.: 079-30921200

Reg. Office : VadilalHouse, 53, Shrimali Society, Nr. Navrangpura Railway Crossing, Navrangpura, Ahmedabad-380009. Ph. No. : 079-26564019-24
Email id : info@vadilalgroup.com Website : vadilalicecreams.com / www.vadilalgroup.com CIN No. L91110GJ1982PLC005169



VADILAL INDUSTRIES

Q2 & H1 FY19
Results Presentation



Disclaimer

Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties, like regulatory changes, local political or economic developments, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Vadilal Industries will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward looking statements to reflect subsequent events or circumstances.



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Q2 & H1 FY19 Financial Performance



Chairman's Message

Commenting on Q2 & H1 FY19 performance, Mr. Rajesh Gandhi, Chairman and Managing Director, Vadilal Industries Limited said:



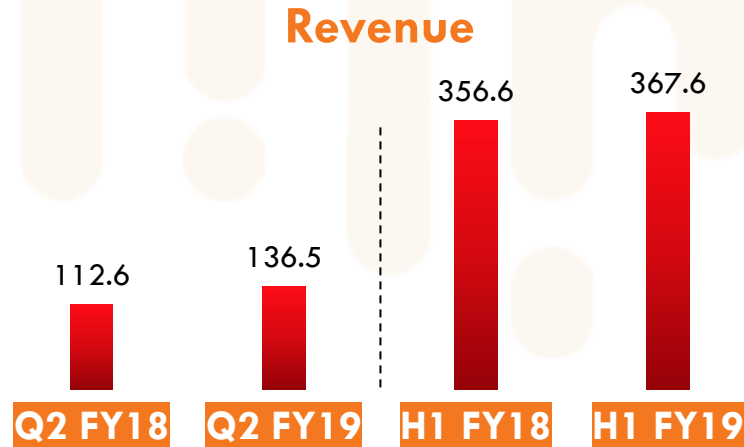
“During Q2, we have continued our strong business momentum to expand ice cream volumes by 6.9%, driven by 6% domestic volume growth and 37% expansion in the international business. Growth in domestic business was driven by consumer preference for the Vadilal brand and continued expansion in distribution/POS presence. Currently, Vadilal products reach 55,000 retail outlets in 26 states and we remain committed to expand the network judiciously. International revenues contributed 32% to the turnover during Q2 and continue to expand rapidly with Vadilal ice cream and processed foods products finding positive demand pull from the Indian diaspora in the US and other key markets. We have already invested in marketing and distribution reach and expect to see continued traction from consumers looking for distinctly Indian products backed by a strong brand. Larger traction in markets outside India has also resulted in de-risking the seasonal nature of the business.

Margins have improved significantly during the quarter – gross margin increased by over 600 bps to 44.4% and EBITDA margin by over ~1,000 bps. This is in line with the recent trend of expansion and has been achieved through volume growth by utilizing existing capacities, lower raw material procurement prices and operating cost discipline. International ice cream sales come with higher realizations and contribution margins, which is also helping improve profits while increasing utilization of current capacities.

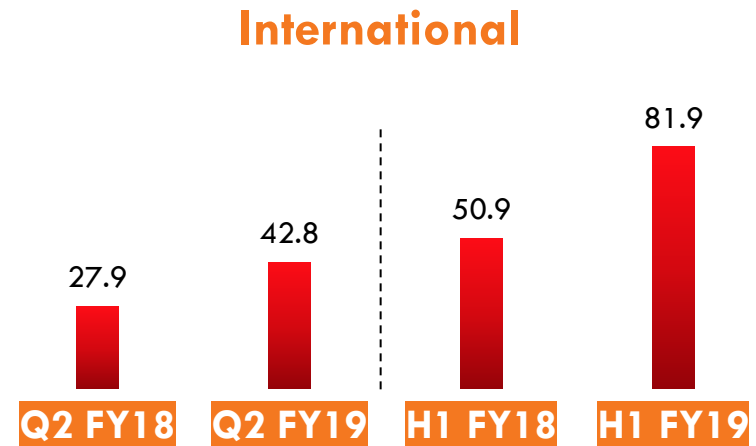
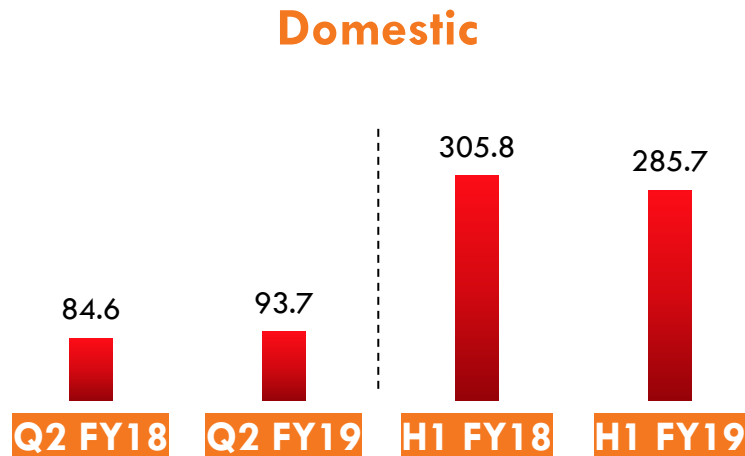
Meanwhile, we continue to invest in capability building and process orientation initiatives, including SAP implementation across the supply chain that now covers over 32,000 outlets nationwide, allowing us greater control over our investments in distribution assets. We are also making investments in IT enhancement and balancing equipment at the factory to drive greater volumes. However, cash accretion from the business and improvements in working capital allow us to continue debt rationalization as per plan and interest expenses have been decreasing accordingly.

Going forward, we maintain our positive business outlook – better environment for consumption, demand shift to the organized sector and continued traction in international business. We have been engaging with raw material suppliers for the next season and prices continue to be subdued, which should benefit margins. In addition to that, we are building on our leadership position, taking the widest range of products to our happy customers in India and overseas.”

Financials – Q2 & H1 FY19 Performance



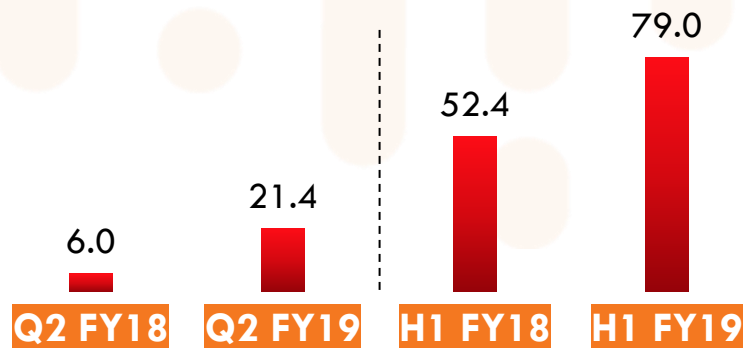
- In Q2 FY19 VIL revenues grew by 21.2% y-o-y driven by 10.8% y-o-y growth in the domestic business
 - Domestic business was driven by higher volumes
 - International business revenues grew by 53% yoy
- International business has witnessed robust demand as VIL expanded distribution and is selling products focused on Indian diaspora in the US and other geographies



International segment includes Vadilal Industries (USA) Inc.

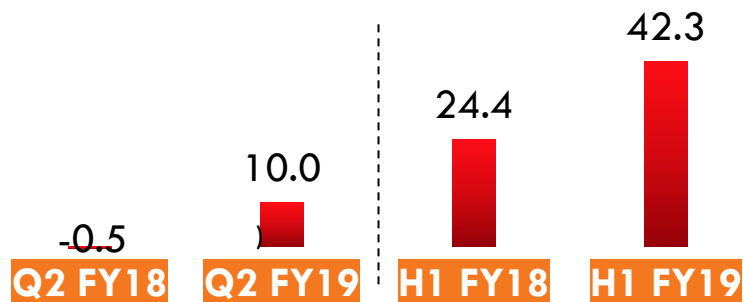
Financials – Q2FY19 & H1FY19 Performance

EBITDA



Note – Revenues considered, net of excise duties

PAT



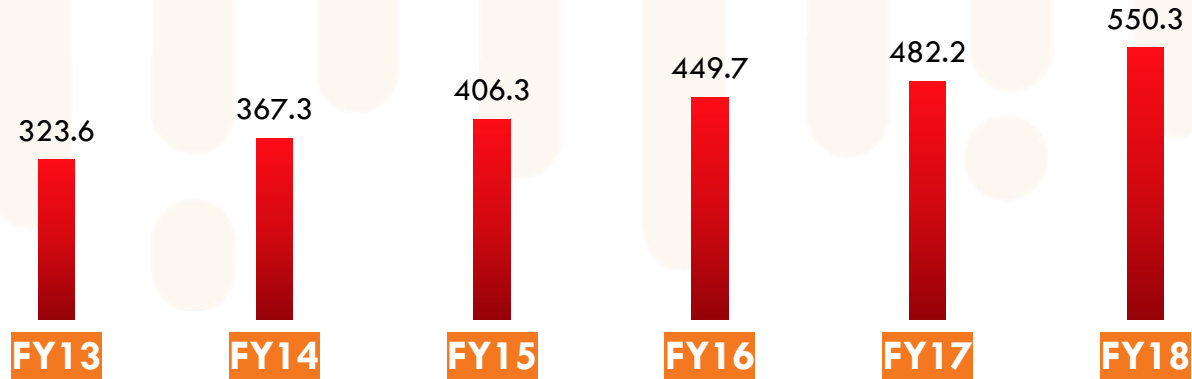
- EBITDA margin for the quarter were higher by ~1,000 bps on account of higher volumes, lower input costs and focus on efficiencies
- Continue to focus on rationalization of debt:
 - Reconstituted outstanding debt to increase long tenure loans and reduced cost of debt
 - Overall debt as on Sept 30th 2018 was lower at Rs. 94 crore as against Rs. 101 crore on Sept 30th 2017
 - Finance costs in Q2FY19 lower by 4% y-o-y at Rs. 3.0 crore versus Rs. 3.2 crore in Q2FY18
- PAT for the quarter improved to Rs. 9.9 crore as compared to a loss of Rs. 51 Lakh in Q2FY18

Financials Performance Trends

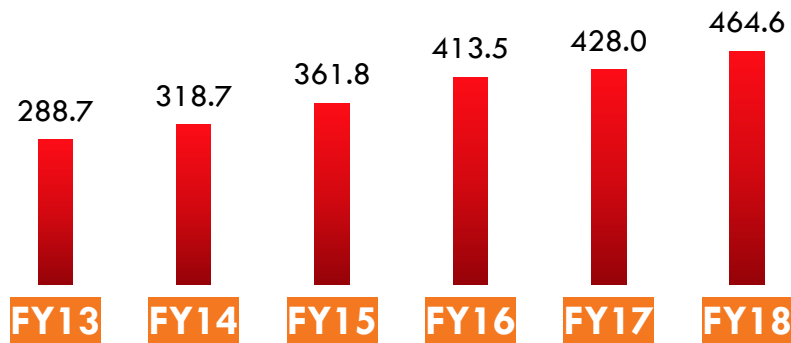


Financials Performance Trends

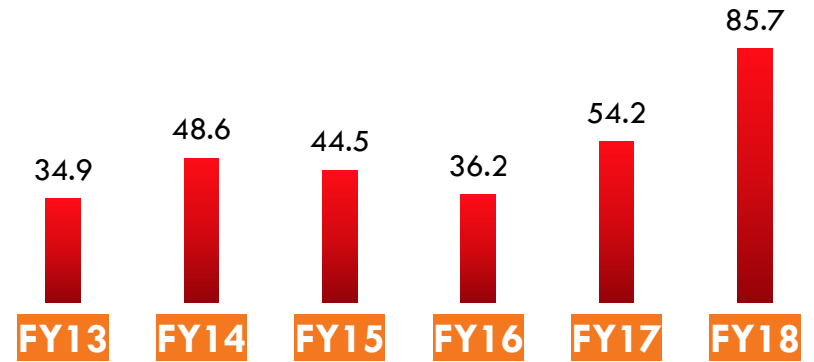
Revenue (Rs. cr)



Domestic

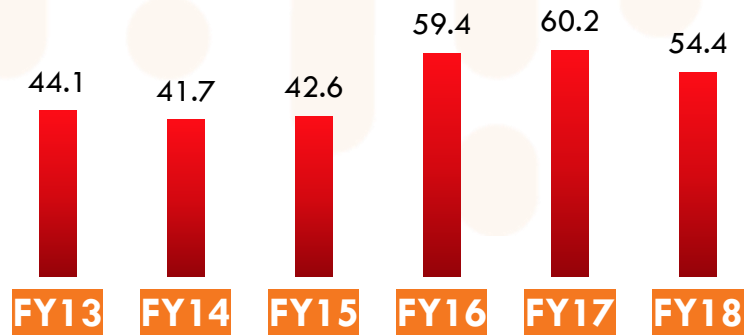


International

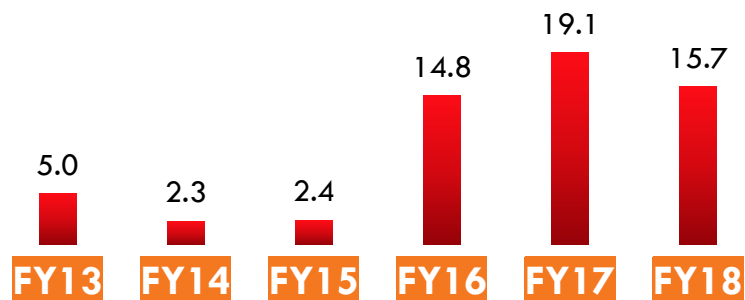


Financials Performance Trends

EBITDA



PAT

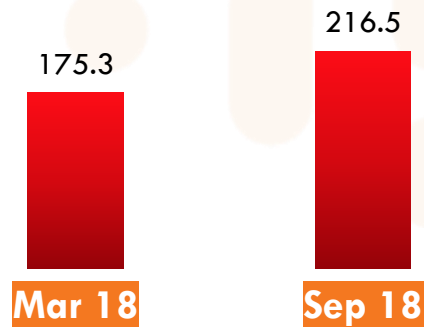


- Longer term, consumer behavior is transitioning with increasing acceptance for western desserts.
 - Domestic business growth, temporarily impacted by recent changes in operating environment and consumption spending, is now reverting to historical trends
 - Continued focus on developing domestic business and lower input costs expected to drive growth
- Will continue to invest in production capacity, technology, brand and distribution
- As volumes enhance, existing capacity gets utilized more efficiently and margins, which were depressed in the past, are improving

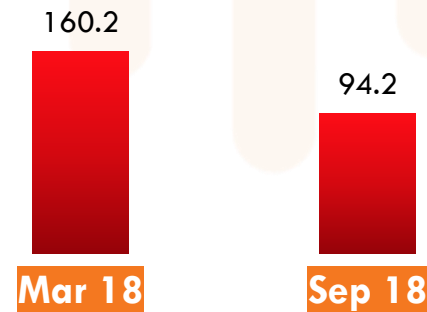
Financials Performance Trends – Balance Sheet

Liabilities

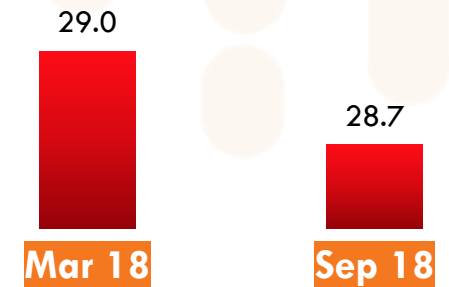
Networth



Debt

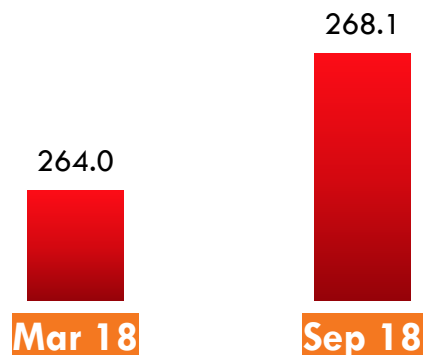


Other Non-Current Liabilities

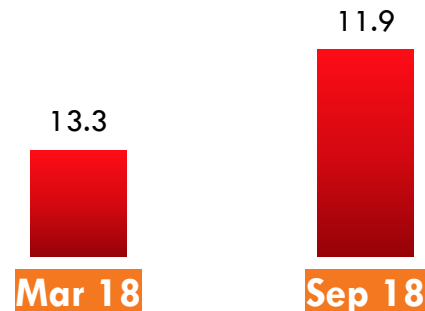


Assets

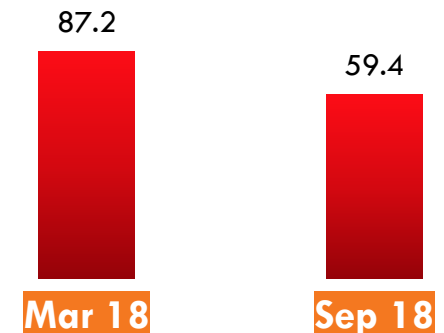
Net Fixed Assets



Other Non-Current Assets



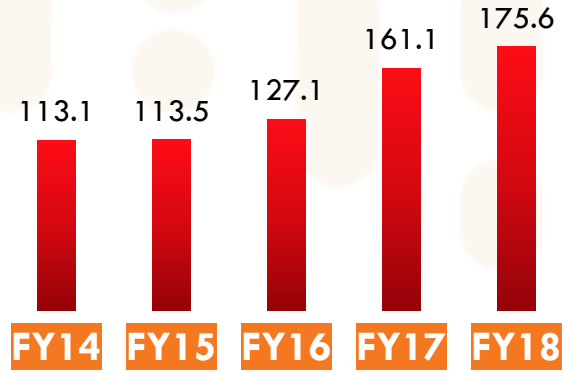
Net Current Assets



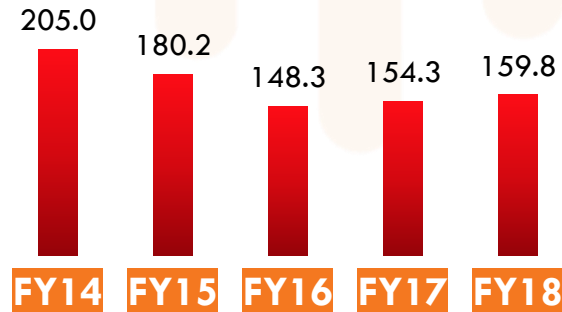
Financials Performance Trends – Balance Sheet

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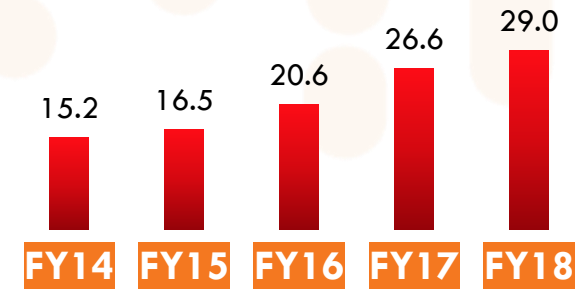
Networth



Debt

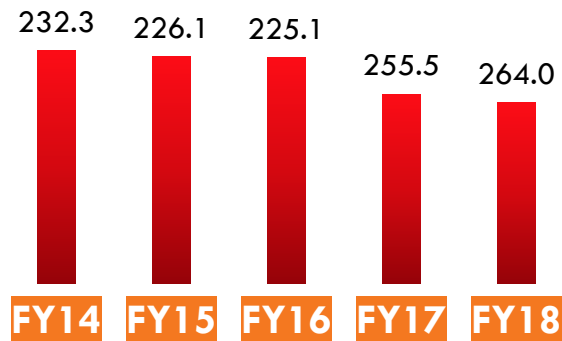


Other Non-Current Liabilities

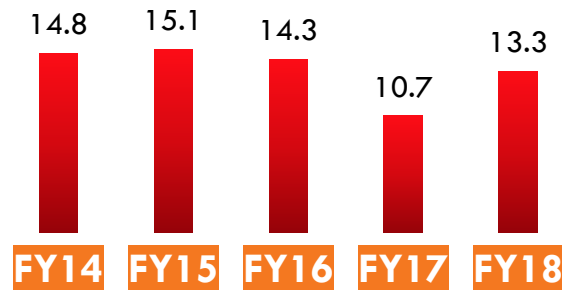


Assets

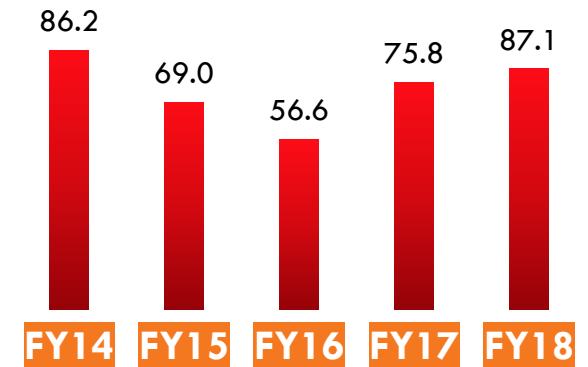
Net Fixed Assets



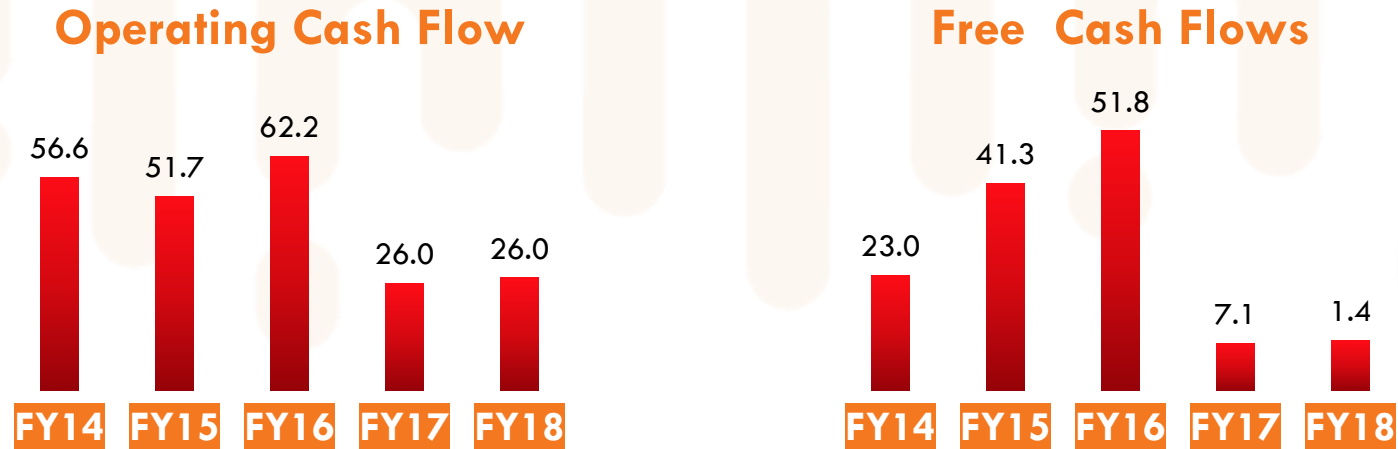
Other Non-Current Assets



Net Current Assets



Financials Performance Trends – Cash Flows



➤ Estimated capex for FY 19 at ~ Rs. 35 crore

Vadilal Industries Overview



Overview

**111-year old,
established
ice cream
brand**

Currently managed by fourth generation promoter family

Selected India's most trusted ice cream brand in 2013 and 2014 by the Brand Trust Report

**Largest range
of ice creams
of any
company in
India**

Top 3 ice-cream brand in the country, 150+ flavors

~300 SKU's of cones, candies, bars, ice lollies, cups, family packs, economy packs

**Second
largest ice
cream
manufacturer
in India by
volume**

Leadership in key markets – Gujarat, Rajasthan, UP, Uttarakhand, Haryana and Chandigarh

**Strong
distribution
network in
North, West
and East India**

16 states, 61 CNF's, over 1200 distributors, 290 distribution vehicles, 50,000 + retail outlets

**Expanding
global
business
presence**

Products reach 45 countries across four continents – key markets include US, Canada, UK, Middle East, Australia and New Zealand

Exporting processed food products, ice-creams and frozen desserts

Vadilal: Growth Strategies



Geographical Expansion

- Expanding footprint in North and East regions of India
- New production facility expected in East India
- Expanding distribution footprint in tier 3/4 cities and rural markets



Retail Investments

- 10,000 new sales outlets planned in FY19
- 100 more distributors expected to be added in FY19
- Investments in new technologies



New Product Development

- Constantly innovating to roll out new products in domestic and global markets
- Targeting expansion of market share in premium/super-premium segment



Brand Building Initiatives

- Seen as one of the most trusted ice cream and leading processed foods brand in India
- Undertaken campaigns to strengthen social media presence
- Rural marketing initiatives



Global Expansion

- Leveraging frozen foods channels to expand ice cream exports globally
- Strong distribution to Indian diaspora who have displayed affinity for the brand and differentiated products offerings

Ice Creams - Brands Portfolio



- Largest range of ice creams of any company in India
- 300 SKU's of cones, candies, bars, ice lollies, cups, family packs, economy packs
- Constantly innovating to roll out new products in ice cream segment

Indian Ice Cream Market



Evolving perceptions

Ice cream is transitioning from periphery to mainstream, from occasional indulgence to snacking option



Changing demand patterns

Transition from seasonal to year-long consumption



Growing affordability

Increased disposable incomes and discretionary spending driving secular demand growth



Premiumization trends

Consumers receptive to spending on high quality products that meet their rising aspirations



Innovative product development

Shift from limited portfolios of traditional products to innovative, global-standard offerings



Expanding customer choices

Local brands competing with international players, leading to market expansion



Significant headroom for growth

India's current annual per capita consumption of 400 ml vs 2.3 liters world average, Chinese consumption is 20X India's



Nationwide retail expansion

Rapid expansion of retail network and improved availability of power leading further expanding demand

Marketing initiatives – Thrust towards Premiumization



- Parineeti Chopra associated as ambassador for Vadilal brand till 2018 season.
- Unveiled new products endorsed by the brand ambassador, with the expanded range being evaluated on an ongoing basis.



Growing International Presence



- Exporting ice-creams, frozen desserts and processed food products
- Key markets – US, Canada, UK, Kuwait, Qatar, Bahrain, UAE, Singapore, Australia, New Zealand
- Focused on Indian diaspora globally and adhering to international food standards
- Two decades of experience selling frozen foods globally being leveraged to expand ice cream exports



Robust Expansion in U.S. market



- Latent demand for quality Indian products driving strong volume growth in US ice cream sales
- 35-member team reaching 40 plus US states and ~70% of local Indian diaspora
- Deriving significant benefit from the existing processed foods distribution network in the US
- Expanding product base within existing categories, launched new categories such as Indian Mithai and Paneer



International Product Portfolio



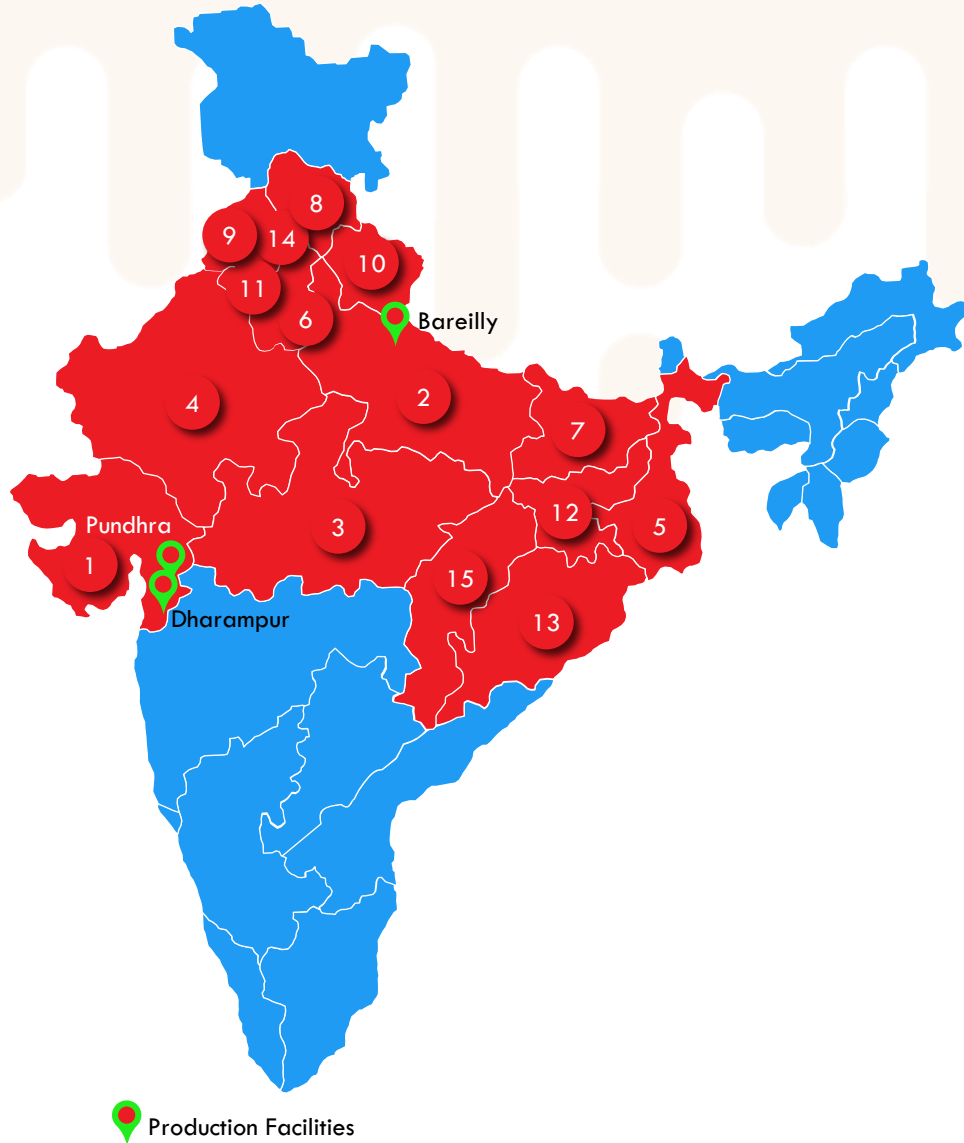
Production Facilities



- Capacity expanded from 270,000 liters per day to 380,000 liters per day over the past few years
- Current production on automated processes “untouched by hand”, manual intervention only at packaging stage
- Focused production lines for international standard manufacturing for exports
- No major capital expenditure anticipated on capacity enhancement

Facilities	Capacity	Production	Certification
Bareilly, Uttar Pradesh	150,000 liters per day	Ice cream	ISO-22000:2005
Dharampur, Gujarat	33,000 kgs per day	Processed foods	ISO-22000:2005 and BRC : Issue 6
Pundhra, Gujarat	230,000 liters per day	Ice cream	ISO-22000:2005 and BRC : Issue 6

Deep Domestic Distribution Presence



	States	Distributor
1	Gujarat	200
2	Uttar Pradesh	185
3	Madhya Pradesh	150
4	Rajasthan	138
5	West Bengal	89
6	Delhi	63
7	Bihar	58
8	Himachal Pradesh	58
9	Punjab	51
10	Uttarakhand	48
11	Haryana	44
12	Jharkhand	41
13	Orissa	37
14	Chandigarh	36
15	Chhattisgarh	18

Distribution network comprises of over **55,000** retailers, over **1,200** large distributors, **63** CNFs, **290** distribution vehicles and almost **300** SKUs.

Adopted franchisee route to further increase market penetration and established **85 ice cream parlors** under 'HAPPINEZZ' brand name

Access to the **largest fleet** of refrigerated vehicles in India, backed by an expanding distribution network

Awards and Accreditations



27 Awards Over 4 Consecutive Years At "The Great Indian Ice Cream Contest"



Ranked No. 18th In The Food Products Category By The Economic Times , 2013



Vadilal Industry Certification ISO 9001: 2000



Vadilal Quick Treats Unit Is Certified With BRC, ISO 9001:2008, ISO 22000:2005

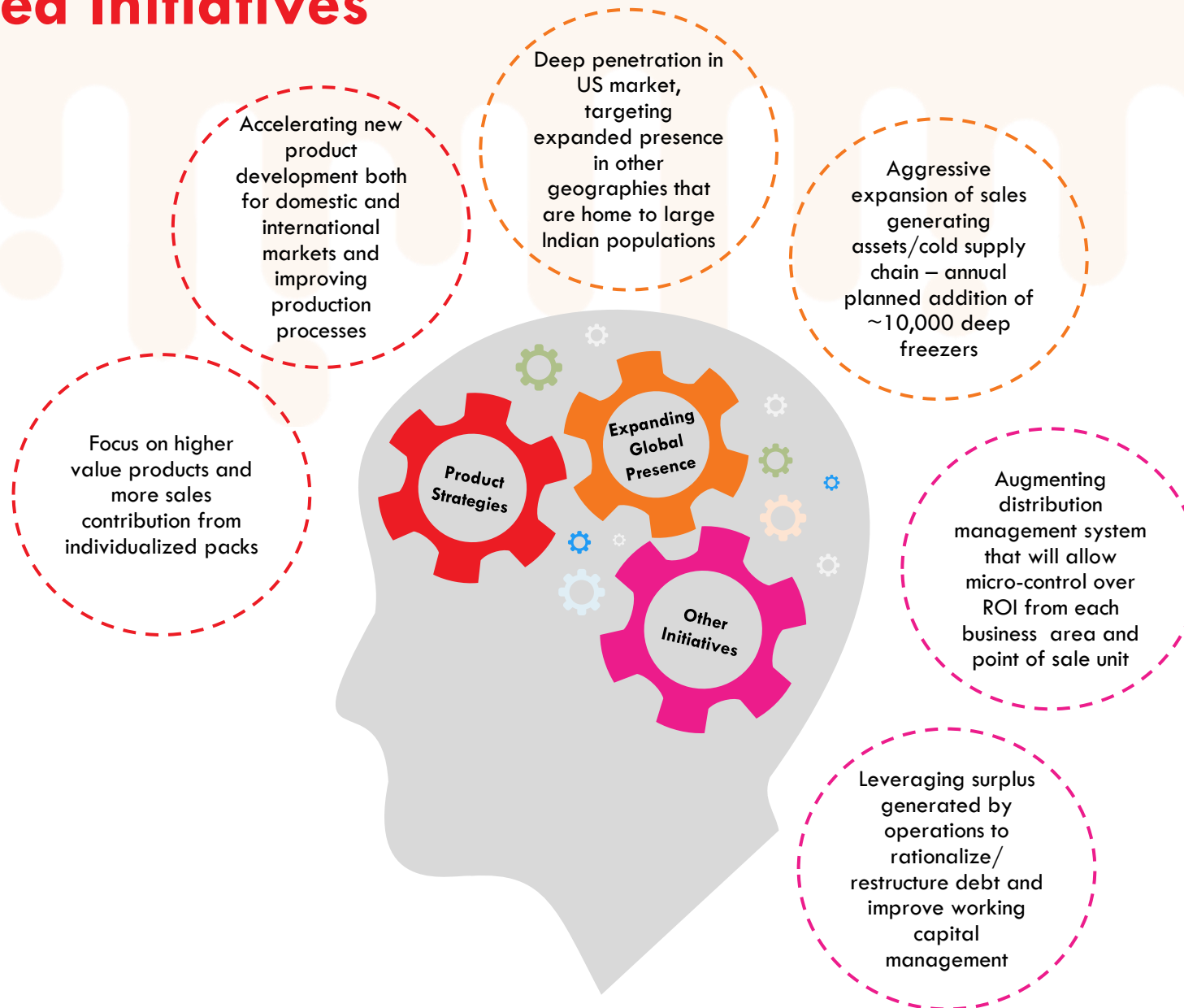


Voted As India's Most Trusted Brand In The Ice Cream Category By [Trust Research Advisory Board](#).

Outlook



Planned Initiatives



Contact Us

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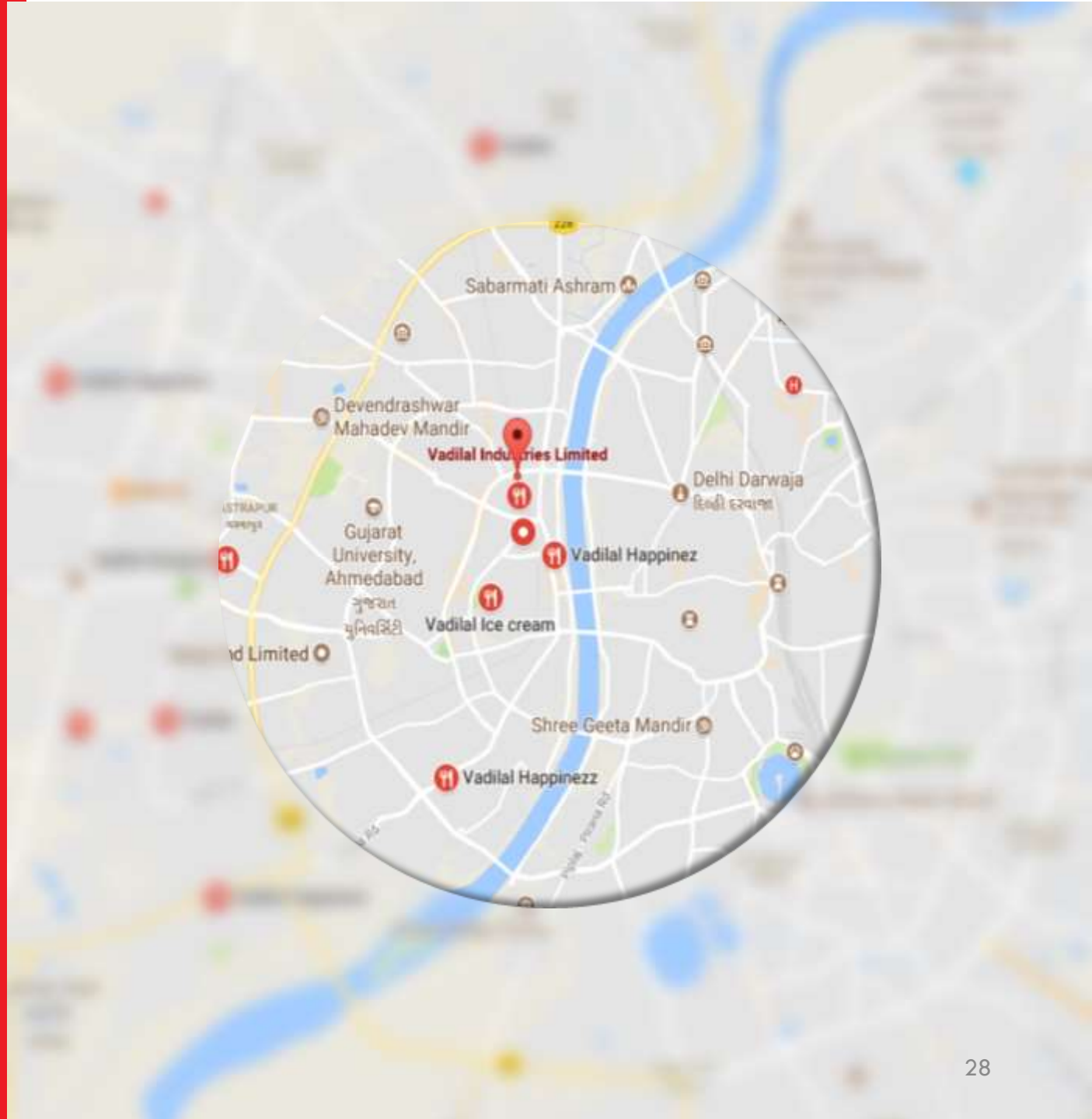
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Thank You

